

## EVENT PROMOTERS

### WHAT IS AN EVENT?

An event may be a trade show, swap meet, craft show, specialty show, fair, parade, sporting event, circus, country store at a RV park, carnival, festival, religious revival or other church event, political rally, vehicle show and display or similar recognized activity.

### PROMOTERS RESPONSIBILITY FOR VARIOUS EVENTS

The City of Mesa requires a Transaction Privilege (Sales) Tax license for any sales within City limits, which includes sales at events. Each person selling items must have a City and a State Transaction Privilege Tax License PRIOR to setting up for sales. See Mesa Tax Code, 5-10-300.

The Promoter, Park Managers, Event Coordinators, and/or Activity Officers should verify that each vendor wishing to set up for sales possess valid Transaction Privilege Tax licenses from both the City of Mesa and the State of Arizona. These licenses are required per the Tax Code by both the City of Mesa and the Arizona Department of Revenue. Any vendor unable to present these licenses should not be permitted to setup or sell until proof of licensure is provided. See Mesa Tax Code, 5-10-330.

A list of vendors participating in the event shall be submitted to the licensing office two (2) weeks prior to the event. The vendor list shall include the vendor name, business name, business address and the business phone number. The vendor list is to be provided to [licensing.enforcement@mesaaz.gov](mailto:licensing.enforcement@mesaaz.gov).

A list of the participating vendors and their City tax license numbers should be provided to the event coordinators. This list should be kept by the coordinators as backup to their tax return regarding booth rental income.

### LICENSES

Promoters may be required to obtain a Tax License, Special Event License, Liquor License or other license. Please contact the Licensing Office for additional details.

### ARE EVENT ACTIVITIES TAXABLE?

Transaction privilege tax is divided into different classifications or activities. The most common classifications of taxable transactions at events include the following: retail sales, restaurant/bar, amusements, licensing for use of real or personal property, and rental of real property (commercial lease).

### RETAIL SALES

If you sell tangible personal property at events within the City of Mesa, even if you consider it a hobby, you must obtain a City Transaction Privilege Tax License. You will be responsible for reporting all sales and remitting the applicable tax under the retail classification. There are a few exemptions to the tax on retail sales, such as sale for resale (sometimes called wholesale). *Note: The exemption for sales of food for home consumption does not apply if the event at which the food is sold charges admission.*

See Mesa Tax Code, 5-10-460 & 465.

### RESTAURANT/BAR (FOOD & BEVERAGE)

Sales of food or beverages prepared or served for consumption on or off the premises, including the activity of catering, are taxable under the Restaurant and Bar Tax Classification. Cover charges and minimum charges must be included in the gross income. Businesses selling alcoholic beverages are required to obtain a City of Mesa Liquor License as well as the City of Mesa Transaction Privilege Tax License. Contact the licensing office at 480 644-2316 for information.

See Mesa Tax Code, 5-10-455.

### AMUSEMENTS

The tax on amusements applies whenever an admission is charged for events, exhibitions or entertainment. Any charges or fees for activities such as carnivals, circuses, fairs, contests, games, rides, animal rides, balloon rides, public dances, dance halls, sports events or any admission fees are subject to tax under the Amusement Tax Classification. See Mesa Tax Code, 5-10-410.

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### *RENTAL OF REAL PROPERTY & LICENSING FOR USE*

Space rental to vendors at events may be taxable if the rental constitutes a lease of real property. This tax is imposed on any individual renting property or space to vendors at events and may be added to the cost of the vendor's rental fee. If the rental was merely a "license" granting permission to use the space rather than an actual lease of the property, the rental income received would be taxable under licensing for use per the Mesa City Tax Code.

Examples of licensing for use income include: commissions received for licensing of space for vending machines, amusement game machines, pay telephones, and/or commissions received for the use of a business, property, or similar charges for the use of space.

The definition of "Licensing for Use" means any agreement between the user ("licensee") and the owner or the owner's agent ("licensor") for the use of the licensor's property whereby the licensor receives consideration, where such agreement does not qualify as a "sale" or "lease" or "rental" agreement. See Mesa Tax Code, 5-10-445.

### *SUBLEASING*

Income from subleasing is taxable, however the sublease provides an exemption to the primary lessor. The primary lessor is entitled to an exemption for the portion of the property subleased by their tenant.

For example, if A leases a 10,000 square foot building to B for \$6,000 per month (the primary lease), and B subleases 2,500 square feet to C for \$3,000 per month (the sublease), the tax liabilities of A and B are computed as follows:

- B's liability is for the tax on his subleasing income of \$3,000
- A's liability is reduced by the portion of the building that is subleased

2,500 square feet subleased (documented by B's sublease agreement with C)

divided by

10,000 square feet in primary lease (between A and B) equals

25% of the primary lease is exempt (75% is taxable)

- A is entitled to an exemption for 25% of their \$6,000 monthly income or \$1,500.

This exemption must be computed based on the square footage subleased, not the values of the primary lease and the sublease.

### *SUBLEASING AT THE MESA CONVENTION CENTER*

Income from subleasing is taxable, however the sublease provides a tax refund opportunity for the promoter at the Mesa Convention Center. The promoter is entitled to request a refund for the portion of the property subleased to their vendors.

For example, if A (City of Mesa) leases a 10,000 square foot building to B (promoter) for \$6,000 per event (the primary lease), and B subleases 8,000 square feet to C (vendors) for \$10,000 per event (the sublease), the tax liabilities of A and B are computed as follows:

- B's liability is for the tax on his subleasing income of \$10,000
- B's liability is reduced by the portion of the building that is subleased and may request a refund.

8,000 square feet subleased (documented by B's sublease agreement with C the vendors)

divided by

10,000 square feet in primary lease (between A and B) equals

80% of the primary lease is exempt and the promoter is able to request a refund from the City of Mesa by submitting a "Mesa Convention Center Tax Refund Request Subleasing Booth Space by Promoter" form and a copy of their rental contract.

- B is entitled to a tax refund for 80% of their \$6,000 rental charge or \$4,800 at the current tax rate. The tax refund would be \$84.00.

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This exemption must be computed based on the square footage subleased, not the values of the primary lease and the sublease. The promoter will need to subtract common areas not subleased.

### COLLECTION OF TAX

Although transaction privilege tax is usually passed on to the customer, it is actually a tax on the vendor for doing business in Arizona. You may choose to charge the tax separately on each sale, or include it in your price. If you include tax in your price, you can use factoring to "back into" the tax included in your gross sales.

### FACTORING TRANSACTION PRIVILEGE TAX

As noted above, when a business "factors" transaction privilege tax, it means the tax was included in the total price rather than shown as a separate charge. If you choose to factor the tax, the tax must be calculated using a factoring formula. The factoring formulas differ depending on the city tax rates, state and county tax rates and differences in allowable deductions or exemptions.

Factors for the State, Maricopa County & City of Mesa tax rate of 8.05% are:

- .07450255 Retail, Restaurant/Bar, Amusements, Rental of Personal Property
- .02200489 Rental of Real Property - Commercial Lease (Exempt for the State)
- .01719902 Rental of Real Property - Licensing for Use (Exempt for State & County)

### TAX RATE ON RETAIL SALES AT EVENTS

The City of Mesa tax rate is 1.75% of the taxable income. The total combined rate is 8.05% for retail sales. (5.6% state + .7% county + 1.75% city).

### BROKERS

A broker acting for a seller, lessor or other similar person deriving gross income shall be liable for the tax. See Mesa Tax Code, Regulation 5-10-100.1.

*This publication is for general information about Transaction Privilege (Sales) Tax on Events. For complete details, refer to the City of Mesa Privilege & Excise Tax Code and related regulations. In case of inconsistency or omission in this publication, the language of the Tax Code will prevail. The transaction privilege tax is commonly referred to as a sales tax; however, the tax is on the privilege of doing business in Mesa and is not a true sales tax.*

### FOR LICENSING INFORMATION CONTACT:

**480.644.2316**

**licensing.info@mesaaz.gov**

### FOR TAX INFORMATION CONTACT:

**480.644.2051**

**salestax.info@mesaaz.gov**



**LICENSING OFFICE**

P.O. Box 1466

Mesa, Arizona 85211-1466

[www.mesaaz.gov/business/tax-audit](http://www.mesaaz.gov/business/tax-audit)